

# HOUSE BILL REPORT

## SB 6348

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### As Passed House - Amended:

March 4, 1998

**Title:** An act relating to eliminating requirements for filing certificates or annual summaries for sales and use tax exemptions on manufacturing machinery and equipment.

**Brief Description:** Eliminating requirements for filing certificates or annual summaries for sales and use tax exemptions on manufacturing machinery and equipment.

**Sponsors:** Senators Hale and Haugen; by request of Department of Revenue.

### Brief History:

#### Committee Activity:

Government Reform & Land Use: 2/25/98, 2/26/98 [DP].

#### Floor Activity:

Passed House - Amended: 3/4/98, 97-0.

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## HOUSE COMMITTEE ON GOVERNMENT REFORM & LAND USE

**Majority Report:** Do pass. Signed by 10 members: Representatives Reams, Chairman; Sherstad, Vice Chairman; Romero, Ranking Minority Member; Lantz, Assistant Ranking Minority Member; Bush; Fisher; Gardner; Mielke; Mulliken and Thompson.

**Staff:** Joan Elgee (786-7135).

**Background:** In 1995, the Legislature enacted a sales and use tax exemption for machinery and equipment used directly in a manufacturing operation. The exemption was expanded in 1996 to include machinery and equipment used directly in a research and development operation.

The purchaser must provide the seller with an exemption certificate and provide the Department of Revenue with a duplicate of the certificate or a summary of their exempt sales.

The 1995 legislation directed the legislative fiscal committees to report to the Legislature by December 1, 1999, on the economic impacts of the exemption. The Department of Revenue must provide data requested by the committees to perform the analysis.

**Summary of Bill:** The requirement to report sales and use tax exemptions for machinery and equipment used directly in a manufacturing operation or research operation to the Department of Revenue is eliminated beginning January 1, 1999.

The department may not deny an exemption solely for failure to comply with the reporting requirement.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Sections 1 and 2 take effect January 1, 1999. Section 3 takes effect ninety days after adjournment of session in which bill is passed.

**Testimony For:** If businesses don't comply with the requirement, they could lose the entire exemption. The department has heard that some small businesses are not taking advantage of the exemption because of all the paperwork.

**Testimony Against:** None.

**Testified:** Jim Hedrick, Department of Revenue (pro).